

Toronto STAFF REPORT

June 13, 2006

To: Policy and Finance Committee

From: Brenda Librecz, General Manager, Parks, Forestry and Recreation

Subject: Constructing an Alternative Parking Lot in the Median of Lakeshore Blvd. West; the Installation of a Mid-block Pedestrian Traffic Control Signal in the Vicinity of 1601 Lakeshore Blvd West; Terminating the Existing Agreement with Shoreline Entertainment Inc; and the Execution of an Agreement with the Palais Royale Corporation
(Ward 14 Parkdale - High Park)

Purpose:

To seek Council authority for the Toronto Parking Authority (TPA) to fund and construct a parking lot in the centre median of Lakeshore Boulevard West; to seek Council authority to install a mid-block pedestrian traffic control signal in the vicinity of 1601 Lakeshore Boulevard West; and to negotiate and enter into a Lease Agreement with the Palais Royale Corporation for the operation of the Palais Royale and a License Agreement with the TPA for the parking lot in the median.

Financial Implications and Impact Statement:

The Toronto Parking Authority will be responsible for the initial construction costs and administration fees, which will not exceed \$500,000.00, including all applicable taxes and charges. The project was not included in the Authority's 2006 Approved Capital Budget. It is requested that this project be funded through the reallocation of funds within the 2006 Approved Capital Budget. Funding in the amount of \$500,000.00 will be reallocated from project TPA 906711 Danforth Main Trent Avenue-Variety Village to Project TPA 907012 Palais Royale. The reallocation of funding for this project will not impact the Toronto Parking Authority's 2006 Approved Capital Budget. The Palais Royale Corporation will pay a License Fee of \$49,000.00 per year to the Toronto Parking Authority commencing on October 1, 2006 to cover the initial construction costs and administration expense fee.

The twenty year License Agreement between the TPA and Palais Royale Corporation for parking facility construction and administration fees, which will expire on September 30, 2026 to

coincide with the expiration of the Palais Royale Corporation Lease, will result in the Palais Royale Corporation paying approximately \$980,000.00 (i.e., 20 years @ \$49,000.00 per annum) in License fees to the Toronto Parking Authority. The Palais Royale Corporation shall be responsible for all operating costs, capital costs (not including initial construction costs and administration fees), property taxes, and other related expenditures associated with the operation and maintenance of the parking facility.

The estimated cost of installing mid-block pedestrian traffic control signals on the south branch of Lakeshore Boulevard West, in the vicinity of the Palais Royale, No. 1601 Lake Shore Boulevard West, is \$160,000.00 including application of pavement markings and installation of required signage. Funds associated with the installation of new traffic control signals are contained in the Transportation Services Capital Program under Project No. CTP706-01. In 2006, \$2.46 million has been approved for new traffic control signal installations. In addition, the added annual maintenance cost associated with the installation of traffic control signals is \$6,000.00 which includes all communication costs. Installation of the subject traffic control signals will be subject to the availability of funds and competing priorities.

The current agreement with Shoreline Entertainment Corporation commenced on December 11, 2000 and expires on December 10, 2020. This agreement has a minimum lease fee of \$25,000.00 per year or a percentage of Gross Sales as follows: gross sales of \$1,000,000.00 - \$1,500,000.00, Tenant pays 3% of gross sales; gross sales of \$1,500,000.00 - \$2,000,000.00, Tenant pays 3.5% of gross sales; gross sales over \$2,000,000.00, Tenant pays 4% of gross sales. The total minimum rent for the term would be \$500,000.00.

The proposed agreement with the Palais Royale Corporation will be for a twenty year term commencing on July 1, 2006 and expiring on June 31, 2026. The proposed minimum lease fee is \$25,000.00 in year one with a 2% escalation fee each additional year, or a percentage of Gross Sales as follows: gross sales of \$1,000,000.00 - \$1,500,000.00, Tenant pays 3% of gross sales; gross sales of \$1,500,000.00 - \$2,000,000.00, Tenant pays 3.5% of gross sales; gross sales over \$2,000,000.00, Tenant pays 4% of gross sales. The total minimum rent for the term would be \$607,370.00.

The Palais Royale Corporation will also be investing \$3.5 million into the renovation of the facility.

The Palais Royale Corporation will be responsible for all capital and maintenance costs for the building throughout the term.

All costs for additional improvements to the Martin Goodman Trail adjacent to the leased property shall be the responsibility of the Palais Royale Corporation.

There are no costs that the City of Toronto will incur with the construction of the parking lot, other than the initial cost of the parking lot which will be provided by the TPA (which will be repaid by annual payments from the Palais Royale Corporation) and the cost of the mid-block pedestrian traffic control signals, and the implementation of the proposed License Agreement. There are no anticipated future costs with the implementation of the proposed License

Agreement for the operation of the parking lot. The Palais Royale Corporation shall be responsible for all operating costs, capital costs, property taxes and other related costs for the operation and maintenance of the parking lot.

The Deputy City Manager and Chief Financial Officer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) subject to the approval of the Toronto and Region Conservation Authority (the “TRCA”) as owner of the land, authority be granted to the Toronto Parking Authority to construct a parking facility in the centre median of Lakeshore Boulevard West to the north of the Palais Royale and for the TPA to enter into a twenty year license agreement with the Palais Royale Corporation for the operation and maintenance of the parking facility; with the Palais Royale Corporation paying an annual License Fee of \$49,000.00 commencing on October 1, 2006 and expiring on September 30, 2026; and with terms and conditions acceptable to the Toronto Parking Authority and the TRCA;
- (2) City Council authorize the reallocation of funds within the Toronto Parking Authority’s 2006 Approved Capital Budget, the expenditure of funds not to exceed \$500,000.00, including all applicable taxes and charges, from Project TPA 906711 Danforth Main Trent Avenue – Variety Village to Project TPA 907012 Palais Royale;
- (3) authority be granted to the General Manager, Transportation Services to install a mid-block pedestrian traffic control signal on the south branch of Lake Shore Boulevard West in the vicinity of 1601 Lakeshore Boulevard West to allow safe pedestrian access to the parking lot in the centre median;
- (4) authority be granted to the General Manager, Parks, Forestry and Recreation to terminate the existing lease between the City and Shoreline Entertainment Corporation;
- (5) authority be granted to the General Manager, Parks, Forestry and Recreation to negotiate and execute a twenty year lease commencing on July 1, 2006 with the Palais Royale Corporation for the operation of the Palais Royale; with a minimum lease fee of \$25,000.00 in year one with an escalation of 2 per cent per year in the remaining years or the percentage rent as indicated above; and with terms and conditions similar to the existing lease and acceptable to the City Solicitor; and
- (6) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto, and that leave be granted for the introduction of any necessary bills in Council to give effect thereto.

Background:

Construction of the Palais Royale, located at 1601 Lakeshore Boulevard West on the Toronto waterfront, was completed in 1922. Since that time the facility has operated primarily as a dance hall and as a site for special functions. In 1984, the building was designated under the Ontario Heritage Act by Toronto City Council (By-law 563-84) on historical and architectural grounds and is one of the two remaining buildings from the original Sunnyside Amusement Park complex.

The Palais Royale has operated, for approximately the past three decades, under a lease between the City (formerly the Corporation of the City of Toronto) and Palais Royale Ballroom Ltd. During this period, the ownership of the actual Palais Royale building was under dispute. On January 15, 2000, the lease with Palais Royale Ballroom Ltd. expired and the City of Toronto obtained clear title to the building.

In December 1999, the City issued an RFP for the lease of the site. The RFP called for the facility to be operated as a “venue for ballroom dancing, as a site for banquets, weddings and other functions, or as an entertainment facility”. In the RFP, significant emphasis was placed on the need to restore and rehabilitate the Palais Royale, at no cost to the City.

Shoreline Entertainment Corporation was awarded the lease, for a twenty year period, which commenced in December 2000. The minimum annual rent is \$25,000.00 or a percentage of Gross Sales as follows: gross sales of \$1,000,000.00 - \$1,500,000.00, Tenant pays 3% of gross sales; gross sales of \$1,500,000.00 - \$2,000,000.00, Tenant pays 3.5% of gross sales; gross sales over \$2,000,000.00, Tenant pays 4% of gross sales. Shoreline Entertainment Corporation also indicated in their response that they would invest one million dollars into capital repairs of the Palais. This was not done and the Palais fell into further disrepair.

In July 2004, the Pegasus Group Inc. assumed the existing lease by purchasing the shares of Shoreline Entertainment Corporation. They will operate the Palais Royale under the corporate name “Palais Royale Corporation”, and consequently, wish to terminate the existing lease that was assumed from Shoreline Entertainment Corporation. Pegasus (now the Palais Royale Corporation), has proposed to build on the Palais Royale’s long history as a venue for dancing and special events. In addition, they propose to use the facility for weddings, banquets and corporate events. Discussions with staff took place regarding the restoration and the requirement for adjacent parking in order to make their business plan effective. To that end, staff worked toward a solution to the parking issue and obtained Council approval in July 2005. It was on this understanding that the significant investment in heritage restoration was made by the proponent.

The proposal from Pegasus (Palais Royale Corporation) includes a conservation strategy of period restoration combined with rehabilitation of the Palais Royale. They have been working with a qualified heritage architect, Goldsmith Borgal and Company Ltd. Architects, and other consultants and have presented a plan involving the investment of approximately \$3.5 million in the building and the site at no cost to the City. Staff of Heritage Preservation Services have carried out a preliminary review of the proposed plans and approve the overall approach in

concept. The report from the Heritage Conservation staff was considered by the Heritage Preservation Board and the Toronto and East York Community Council and was approved by Council at their meeting on July 19, 20, 21, and 26, 2005.

Comments:

The Pegasus Group (Palais Royale Corporation) is in the process of restoring the Palais Royale as a banquet hall facility through an investment of approximately \$3.5 million. This function is complementary and sympathetic to the buildings heritage nature. However, the existing building has no parking facilities and parking is clearly deemed as a necessity to make the Palais Royale a viable business enterprise. In addition, this area is deficient in parking for use of the adjacent Western Beaches parkland. Further, there are a number of circulation issues affecting pedestrians and cyclists in this area and the realignment of the Martin Goodman Trail is a long standing issue in this area that needs to be resolved.

The original plan called for the development of a parking lot in the City owned property to the east of the Palais Royale. Council at it meeting on July 19, 20, 21 and 26, 2005 adopted Clause No. 17 of the Economic Development and Parks Committee Report No.7 that authorized the construction of a parking lot. This area is heavily treed with aging mature willows and mixed hardwood trees which deserve special attention if a parking facility is to be introduced into this area. After much public and staff consultation it was determined that an alternative site for the parking lot would be more appropriate.

Two alternative options were reviewed, the first being the feasibility of providing on-street parking on the south side of Lake Shore Boulevard West in the vicinity of the Palais Royale and the second was to consider the construction of a surface parking lot on the wide, treed median separating the eastbound and westbound lanes of Lake Shore Boulevard West in front of the Palais Royale.

There are generally three lanes designated in the eastbound direction of Lake Shore Boulevard West and the posted speed limit is 60 km/h. Stopping is prohibited at all times on both sides. Lake Shore Boulevard West is one of the primary routes for commuters entering/exiting the downtown core. During a typical weekday, approximately 28,000 motorists use the eastbound lanes of Lake Shore Boulevard West with the peak hour being between 8:00 a.m. and 9:00 a.m., where traffic volumes are in the range of 4,000 to 5,000 vehicles. Volumes are high during all time periods and it is noted that volumes will fluctuate depending upon delays resulting in capacity reduction (such as collision, construction, road closures, etc.) on other parallel routes such as the Gardiner Expressway, The Queensway, King Street West and Queen Street West.

Providing parking in the southern-most eastbound lanes could theoretically create approximately 100 spaces on Lake Shore Boulevard West within a reasonable walking distance of the Palais Royale (from the westerly driveway to the existing parks parking lot on the south side of Lake Shore Boulevard West to the easterly limit of the Boulevard Club). However, this would result in the loss of one lane of traffic and will also impact on motorists in the adjacent lane. Motorists manoeuvring to and from the on-street parking spaces will need to utilize the eastbound median lane, which could result in unsafe manoeuvres (i.e. parallel parking) due to the high operating

speeds on Lake Shore Boulevard West. Additionally, motorists exiting their parking space into high speed traffic also poses risks.

Due to capacity constraints, parking could not be permitted during the morning and afternoon rush hour periods. The operators of the Palais Royale have advised that their events run at all times of the day and that parking is needed during the rush hour periods to accommodate their patrons.

To avoid this, Transportation Services did review the feasibility of providing bay-style parking adjacent to the curb lane on the south side of Lake Shore Boulevard West, thereby freeing up this parking for use at all times. However, to accomplish this, property would be required on the south side of Lake Shore Boulevard West and this would cut into available green space and impact upon the Martin Goodman Trail. This would be contrary to aims of members of the public that objected to the loss of green space on the south side of Lake Shore Boulevard West.

Under the circumstances, on-street parking on the south side of Lake Shore Boulevard West would generate significant safety and capacity concerns and thus it is not recommended.

The median immediately north of the Palais Royale has been determined as the most appropriate site for a parking lot for use of the patrons of the Palais Royale (See Attachment 1). This parking plan provides for the protection and enhancement of the heritage property and the existing City lands character while providing a commercial opportunity to ensure the financial viability for the re-use of the Palais Royale. The plan also ensures that the parking facility is integrated in a compatible manner into the surrounding open space system. The lot will be constructed by the Toronto Parking Authority to their specifications and the operator of the Palais Royale will pay for the full cost of the facility. The Palais Royale Corporation will pay for the full cost of the facility through a series of 20 annual lease payments. Additionally, the operator will maintain and manage the lot according to the standards of the Toronto Parking Authority. Although, the preference of the proponent was the development of the parking lot to the east of the Palais, they have agreed with this alternative site. In return for the Palais Royale Corporation paying for the construction of the lot, the \$3.5 million investment in renovations to the City-owned building and an increased fee structure, staff are recommending extending the lease term.

A pedestrian bridge links the existing median to the Palais Royale to the south and to King Street West to the north. This bridge was constructed to provide for pedestrian access to the waterfront from the Parkdale community over the Gardiner Expressway/Lake Shore Boulevard West corridor. However, the stairs to/from the bridge rise to the approximate height of a 2 to 3 storey building and it is staff's opinion that many pedestrians would not climb up and down the stairs to the bridge when the distance to travel from the proposed lot over eastbound traffic lanes of Lake Shore Boulevard West to the Palais Royale would be much shorter and hence, more convenient.

The Transportation Services Division has reviewed the plans for the parking lot and has recommended a number of measures to provide a safe crossing for pedestrians between the median and the Palais Royale site on the south side of Lake Shore Boulevard West. First, staff have noted that Lake Shore Boulevard West operates as a primary arterial route to the City centre. It facilitates high volumes of traffic on a daily basis and speeds are relatively high.

Accordingly, it is essential that the at-grade crossing have appropriate safety features to provide protected pedestrian crossings. Mid-block pedestrian traffic control signals should be installed on the south branch (eastbound lanes) of Lake Shore Boulevard West to connect the median to the Palais Royale, should this be approved. Strategically placed fencing and shrubbery around the perimeter of the parking facility is necessary to physically direct pedestrians to the signalized crossing. Finally access driveway details will be established at the design stage to ensure safe vehicular access and egress to the proposed parking facility.

The proposed license fee for this area was calculated by the Toronto Parking Authority to allow for the recovery of construction costs over the twenty year term. This parking License will be tied directly to the Lease between the City and the Palais Royale Corporation for the operation of the Palais Royale to provide financial security to the TPA. Any breach of the parking license is deemed to be breach of the main lease between the City and the Palais Royale. The terms of the license agreement between the Palais Royale Corporation and the TPA will be considered by the Board of the TPA at their meeting on June 20, 2006.

The area to the west of the Palais Royale will include an existing vehicle delivery and turn around area. This will require the reconfiguration and upgrade of the Martin Goodman Trail adjacent to this site in order to improve the safety and functioning of this location, including access to the ramp for persons with a disability. The cost of these improvements and upgrades to the trail infrastructure will be borne by the Palais Royale Corporation.

The proposed new lease would be for a twenty year term that would allow for a viable return on their much higher than anticipated investment of \$3.5 million for the restoration of the Palais Royale. The existing agreement expires in 2020 and would allow only fourteen years of operation for the Palais Royale Corporation as the building has been closed for restoration for a number of years and will be ready for operation in July of this year.

In exchange for the new lease, the Palais Royale Corporation will construct a new parking lot at a higher than anticipated expense and increase the minimum lease fee by 2 percent for each year of the term. In addition, they have reconciled back taxes owing from the previous operator and have paid all rent and taxes during the construction phase.

Conclusions:

This report requests authority for the TPA to amend their capital budget to provide funds for the construction of a parking lot in the centre median of Lakeshore Boulevard West; to seek authority to install a pedestrian crossing light at 1601 Lakeshore Boulevard West; and to negotiate and execute a lease with the Palais Royale Corporation for the operation of the Palais Royale.

The net effect of this proposal will be that the Palais will be able to be successfully restored to an appropriate and commercially viable operation in a manner consistent with its heritage designation. The City will achieve additional improvements to the Martin Goodman Trail infrastructure to improve safety and functionality at this site. The parking facility will be

constructed to minimize impact to the existing trees on this site through specific design and construction methods approved by the Director, Urban Forestry. Additional landscape improvements and additional tree planting on this site and the adjacent parklands will be achieved.

Contacts:

Doug McDonald
Manager, Business Services
Parks, Forestry and Recreation Division
Tel: 416-392-8578
Fax: 416-392-3355
E-mail: dmcдона0@toronto.ca

Neil Zaph
Director, Strategic Services
Parks, Forestry and Recreation Division
Tel: 416-395-6065
Fax: 416-392-8565
Email: nzaph@toronto.ca

Brenda Librecz
General Manager, Parks, Forestry and Recreation

List of Attachments:

Attachment 1 – Map of Proposed Parking Lot in the median north of the Palais Royale